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SOURCE Zycie Gospodarcze (Economic Life), No 17, 1949.THE BANKS' ROLE IN THE TRANSITION TO THE SIX-YEAR PLAN

Changes which have already taken place in Polish economic organization and which will be witnessed in the course of the Six-Year Plan have influenced the reform of the banking system. Characteristic features of both the Three-Year and Six-Year Plans delineate the type of operation required on the part of financial institutions. In planned management, the key problem is one of mobilizing financial resources. This problem grows to even greater stature in the Six-Year Plan.

In contrast with the Three-Year Plan of Reconstruction, the Six-Year Plan is a plan for transforming the economy. This concept sets the course of development in banking. The revolutionary character of the reform and the new concept of the banks' role require such sweeping changes in the banking apparatus that its similarity to capitalist institutions will exist in name only.

The banking reform and the creation of the Investment Bank clearly indicate a tendency to a unified system of financing investments. The duty of the Investment Bank will be to assemble and administer monetary resources for financing investments -- both investments handled directly and those financed indirectly through cooperating banks -- and to supervise the investment of such funds. The Investment Bank will extend working capital to construction and factory installation enterprises and will perform fiscal supervision corresponding thereto.

During the transition from the Three-Year to the Six-Year Plan, two things must be emphasized: (1) the need to put basic changes into effect immediately and (2) the position of leadership to be held by the Polish National Bank and the Investment Bank. Regarding the first point, the Bank of National Economy (Bank Gospodarstwa Krajowego) is already on its course. The essence of the reform, however, lies not in the formal reorganization but in the new role assigned to money, which has ceased to be a commodity.

The roles of the Polish National Bank and of the Investment Bank may be stated as follows: the Polish National Bank is a financial institution created to regulate the circulation of money in its function as a source of working capital; the Investment Bank is a financial institution created to regulate the accumulation and distribution of monetary media for investment purposes.

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There is a growing tendency to unification in the system of financing investments and of providing working capital and consumers' credit. The banks have been charged with certain functions. To the extent that these functions are performed, the banks will have met their goal.

As at present, so in the Six-Year Plan, the Polish National Bank must act in a regimen which includes both socialized and capitalist elements. This state of affairs has a strong influence on the activity of the Polish National Bank, both with regard to the accumulation and the distribution of money. Since the bulk of transactions of socialized industry are settled by check payments and the insignificant amount of cash payments is under control, fiscal management of the Bank is facilitated. However, in the private sector, monetary control is by indirect means, that is, via one of the cooperating banks appropriate to the given group in the private sector (Agricultural Bank or Bank for Commerce and Crafts) and via socialized outlets for the sale of commodities.

The exercise of fiscal control through the cooperating bank does not require explanation. The cooperating bank acts on the initiative of the central bank.

Exercise of fiscal control by means of commodity outlets may be understood as follows: The private sector is already quite intimately involved with economic units engaged in the flow of commodities. With reference to the socialized outlets, transactions will, as a rule, be covered by checks in the settlement of accounts. In this respect, although incompletely, the Polish National Bank through the exercise of fiscal control will be able to perform its functions of accumulation and distribution. It will, of course, not completely drain the money market, but the private sector's disposal over cash will be somewhat hampered.

It was mentioned above that economic outlets retain control over till money. Cash from funds on hand, for the most part, finds its way to the public which is, in principle, free to exercise its choice. However, part of this money will be accumulated (via insurance, payments for services, etc.) and part will be used for consumption. In consumption, again, the Polish National Bank will exercise some control through socialized retail outlets, but it must still be borne in mind that a substantial portion will remain at the disposal of the public and outside the domain of accumulation by the state. This fact will have some bearing on the fiscal policy of the Polish National Bank. Such money can bring about deliberate, harmful activity among reactionary elements and disturbances in the commodity markets, such as the runs on stores which have been observed in several wojewodztwos in the recent past.

Under these conditions, the Polish National Bank must guard against temporary difficulties that may arise during the period of transition to the Six-Year Plan in connection with certain complications in the circulation of cash available for immediate consumption.

Concerning the activity of the Investment Bank, an important fact is that this institution, of all banking institutions, has the most concrete data on which to operate during the transition as a new type of financial institution.

In view of the tendency toward a uniform investment policy, the responsibility of concentrating financial resources rests with the Investment Bank, either directly or through cooperating banks (Agricultural Bank, Community Bank). It must be emphasized that the Investment Bank's role as a central bank with regard to the distribution of money for investment purposes stems from legislation and from the apparatus of the Treasury, which formerly filled the role of distributor in this sphere of economic life; for the present (during the transition period), it does not have this authority. Under present circumstances, the accumulation of monetary resources rests with the Minister of the Treasury while the distribution is handled by the Investment Bank.

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The law creates other banks which, for the purpose of this discussion, are treated as banks cooperating with the central banks -- the Polish National Bank and the Investment Bank. From a static viewpoint, there is a vertical organization of banking, in which the role of the cooperating banks is apparently relatively insignificant. However, horizontally, there is a dynamic, regional organization. Here, two banks in particular, the Agricultural Bank and the Community Bank, will play an important part. In the final analysis, the performance of the over-all plan is the sum of the performance in all the regional subdivisions.

Under the conditions set down by the Six-Year Plan, no economic phenomenon can be treated in isolation, apart from the over-all plan. For example, if a bank were to act on the construction of a huge plant without considering its place in the plan for the whole country and without considering related problems of housing for workers, etc., serious difficulties could arise. Thus, the work of individual banking centers must be coordinated. It may be feasible to organize banking activities on a wojewodstwo basis. The collective work and observations of banks in a specific region can be more useful than individual reporting to a central authority.

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